“The 3S axis: Syria, Saudi Arabia and the SilkLink revolution”, Op-ed in Arabian Gulf Business Insight (AGBI), 2 Dec 2025

The opinion piece titled “The 3S axis: Syria, Saudi Arabia and the SilkLink revolution” was published in Arabian Gulf Business Insight (AGBI) on 2nd December 2025.

The 3S axis: Syria, Saudi Arabia and the SilkLink revolution

A crossborder fibre network could recast Syria’s role in Gulf technology

The criticality of Syria’s recently announced SilkLink should not be underestimated. It is the pivotal project spearheading the nation’s digital transformation: a $400-$500 million national fibre network designed to bring the country’s shattered infrastructure into the modern age.

Faster broadband, inclusive access and a modern data network are the minimum requirements for any digital economy – from digital payments to AI to elearning – and Syria sits near the bottom of every global index.

Since the Assad regime fell in late 2024, Syria has re-entered the global economyat remarkable speed, driven by major diplomatic and economic shifts from the transitional government.

The process began with rapid political re-engagement, including a historic White House meeting in November between presidents Donald Trump and Ahmed al-Sharaa, and renewed dialogue with the UN, the IMF and the World Bank.

Sanctions relief has been the key to Syria's economic reintegration, enabling its return to the Swift banking system, its first World Bank loan in more than a decade and financial support from Saudi Arabia and Qatar to clear debts and pay public salaries.

This has paved the way for regional partners, particularly Turkey, Saudi Arabia and the UAE, to lead reconstruction efforts and for global corporations to begin exploring investment in energy, technology and infrastructure.

Digital economies are built on connectivity: broadband, speed, data generation, storage, analysis and accessibility. Accessibility, in particular, is the bridge between algorithms and users – delivered via land, sea, air and space.

The SilkLink project, a public-private partnership, is designed to position Syria as a strategic data connector within a high-speed, low-latency data corridor connecting Saudi Arabia via Syria to Turkey, Europe and Asia. Saudi Arabia, which has pledged over $40 billion in efforts to become a global AI hub, is a key bidder.

> *For Riyadh, SilkLink provides a vital alternative data route to vulnerable, congested Red Sea cables*

SilkLink and the renewal of Saudi-Syrian relations carry multiple objectives: geopolitical stabilisation, reconstruction and the strategic reintegration of Syria into the Arab fold.

The IMF's digital infrastructure score for Syria stood at 0.07

in 2023 – compared with 0.14 for Saudi Arabia and 0.15 for the UAE. SilkLink is the mechanism that allows Syria to leapfrog rather than slowly retrofit its way out of technological stagnation.

For Riyadh, SilkLink provides a vital alternative data route bypassing the vulnerable, congested Red Sea cables, enabling the massive data centres and computing capacity (supported by deals with companies such as Nvidia and AWS) required to fuel its AI strategy.

SilkLink positions Syria's digital infrastructure as a direct connector of one of the world's largest planned AI investments. Digital economies cannot develop within archaic telecommunications infrastructures and governance.

Saudi Arabia and other GCC countries are natural strategic partners for Syria in this new phase. The GCC has a comparative advantage in developing solar-powered, green data centres, creating an opportunity to develop and integrate the region's economies into the emerging global digital space.

In enabling Syria's digital transformation, lessons from China's investment in AI and robotics are relevant. The China model is not about inventing the most advanced AI, but more about mass-scale, low-cost applications and state-driven inclusion.

A post-conflict nation such as Syria has no entrenched legacy systems to protect. Instead of slowly digitalising the old economy, Syria can implement low-cost automation, robotics and AI-driven logistics from day one.

A mobile-first digital inclusion strategy can be adapted, as seen in China with WeChat and digital payment systems such as Alipay.

A national digital ID and payment system would finally bring financial services to Syria's unbanked, bypassing the country’s outdated, paper-based banking system.

China has used its digital platforms to deliver everything from government services to healthcare and education. For Syria, that model points to a single national portal for digital government, business services, health records and, crucially, AI-driven elearning to upskill a population whose education has been disrupted for years.

The bottom line: 3S-Saudi-Syria-SilkLink digital infrastructure will link the GCC’s $1 trillion AI investment into the emerging global digital economy while enabling Syria’s digital transformation.

Nasser Saidi is the president of Nasser Saidi and Associates. He was formerly chief economist at the DIFC Authority, Lebanon’s economy minister and a vice governor of the Central Bank of Lebanon

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Op-ed in CNN Business Arabic on the Fed’s monetary policy move & effect on the GCC, 28 Oct 2025

The below opinion piece was published in CNN Business Arabic on 28th October 2025.

إلى أين يتجه الاحتياطي الفيدرالي؟

تتفاءل الأسواق المالية بأن تباطؤ سوق العمل الأميركي سيدفع الاحتياطي الفيدرالي إلى خفض أسعار الفائدة بمقدار 25 نقطة أساس هذا الأسبوع. لكن التضخم الأميركي ارتفع إلى 3.0% في سبتمبر، مع تسجيل أسعار الغذاء والطاقة ارتفاعاً بنسبة 3.1% و2.8% على التوالي.

كان التأثير المباشر لزيادات التعريفات الجمركية الأميركية محدوداً (حتى الآن) بسبب الاستيراد والتخزين الاستباقي قبل فرض التعريفات.

لم يمرر تجار التجزئة الارتفاعات إلى المستهلك النهائي، ولم تنعكس أسعار المدخلات المستوردة الأعلى على أسعار السلع تامة الصنع. لكن توقعات ارتفاع التضخم آخذة في الازدياد، حيث ارتفعت توقعات التضخم لمدة 5 سنوات من جامعة ميشيغان إلى 3.9% في أكتوبر، من 3.7% في سبتمبر.

أهداف مزدوجة

يواجه الاحتياطي الفيدرالي الأميركي معضلة بين هدفيه المزدوجين المتمثلين في استقرار الأسعار وتحقيق أقصى قدر من التوظيف المستدام.

هناك تداخل متزايد بين السياسة والسياسة الاقتصادية في الولايات المتحدة -وشاهد على ذلك حروب التعريفات والتجارة، والتهديدات لاستقلال الاحتياطي الفيدرالي- ما يضغط على الاحتياطي الفيدرالي وهو يرسم مسار السياسة النقدية وسط تزايد حالة عدم اليقين في السياسة الاقتصادية.

ومع تجاوز الدين الوطني الأميركي 38 تريليون دولار (أسرع تراكم للديون خارج جائحة كوفيد-19)، إلى جانب عجز في الميزانية قدره 7.8 تريليون دولار في ظل التوظيف الكامل تقريباً، يزداد ضغط الهيمنة المالية، وإعادة تشكيل منحنيات العائد، وخفض أسعار الفائدة والتيسير الكمي لتسهيل إدارة الديون وخفض خدمة الديون.

ستؤدي العجوزات المرتفعة الممولة نقدياً إلى زيادة الضغوط التضخمية.

هناك ضغط إضافي على الاحتياطي الفيدرالي. نما الدين الخاص الأميركي إلى أكثر من تريليوني دولار، بزيادة تسعة أضعاف منذ عام 2009، ويحتاج إلى إضافة الاستقرار المالي إلى تفويضه المزدوج في ظل تقديم شركة فيرست براندز طلب إفلاس، ونظراً للنمو غير المسبوق للمؤسسات المالية غير المصرفية غير الخاضعة للإشراف إلى حد كبير ومشكلات السيولة المتزايدة في البنوك الإقليمية (تذكر بنك سيليكون فالي وغيره).

تكلفة الائتمان والإنفاق والاستثمار

على الصعيد الإقليمي، يؤدي خفض الفائدة من قِبل الاحتياطي الفيدرالي عموماً إلى انخفاض أسعار الفائدة وتيسير الظروف النقدية والمالية في دول مجلس التعاون الخليجي بسبب ربط عملاتها بالدولار الأميركي (بدرجة أقل في الكويت، التي تستخدم سلة عملات).

من شأن انخفاض أسعار الفائدة المحلية أن يخفّض تكلفة الائتمان ويشجع الإنفاق والاستثمار، وبالتالي تحفيز الائتمان والنشاط الاقتصادي. تجعل الفائدة المنخفضة الأصول الخطرة مثل الأسهم والعقارات أكثر جاذبية مقارنة بالاحتفاظ بالنقد أو السندات، ما قد يعزّز أسعار الأصول.

تعني تكاليف الاقتراض المنخفضة انخفاض مدفوعات القروض ذات الفائدة المتغيرة وارتفاع دخول الأسر المتاحة وتشجّع الاقتراض للإنفاق، وكل ذلك يمكن أن يحفز الإنفاق في قطاعات مثل العقارات والسيارات والتجزئة. بالنسبة للحكومات في المنطقة، تدعم تكاليف الاقتراض المنخفضة تمويل المشاريع- سواء كان ذلك لمشاريع رؤية السعودية 2030، أو مشاريع البنية التحتية في الإمارات، أو المدن الصناعية في عُمان، مع تأثير غير مباشر في وظائف ونشاط القطاع غير النفطي.

التضخم المستورد في دول مجلس التعاون

يرتبط خفض الفائدة أيضاً بشكل عام بضعف الدولار. وفي حين أن هذا قد يؤدي إلى زيادة تدريجية في التضخم المستورد لدول مجلس التعاون

الخليجي، فإنه يدعم أيضاً زيادة تدفقات الاستثمار الأجنبي المباشر والسياحة الوافدة. سيجعل الدولار الأضعف أيضاً النفط أرخص للدول المستوردة للنفط (مثل مصر والأردن)، وبالتالي زيادة الطلب، وهو أمر إيجابي آخر لدول مجلس التعاون الخليجي المصدرة للنفط.

يعود ضعف الدولار أيضاً إلى استخدامه كسلاح، مع التحول بعيداً عن الأصول الأميركية وتزايد عدم اليقين الجيوسياسي والاقتصادي الأمريكي. سيشجع التخلص التدريجي من الدولار على تطوير آليات دفع دولية وثنائية جديدة، تتحدى تدريجياً هيمنة الدولار.

الإفراط في تحفيز اقتصادات دول مجلس التعاون

يتمثل خطر التيسير النقدي في الإفراط في تحفيز اقتصادات دول مجلس التعاون الخليجي، التي تنمو بالفعل بنسبة 3.9% ومن المتوقع أن تصل إلى 4.3% عام 2026 (صندوق النقد الدولي)، ما يضيف سيولة إلى أسواق الأسهم والسندات المزدهرة بالفعل، مع أسعار عقارات وأسواق أصول مبالغ فيها. أساسيات البنوك الخليجية قوية هذا العام، مع احتياطيات رأسمالية قوية وجودة أصول إلى جانب مستويات منخفضة نسبياً من الأصول المتعثرة وميزانيات أكثر صحة. كانت المؤسسات المالية غير المصرفية، وصناديق التحوط، والائتمان الخاص، والتكنولوجيا المالية، وقطاع العملات المشفرة مزدهرة أيضاً. لكن في الأوقات الجيدة والتفاؤل تُرتكب الأخطاء، ويصبح المقترضون والمقرضون مفرطين في التوسع، إلى جانب تزايد الرافعة المالية، وتتراكم مخاطر الائتمان والمخاطر المالية، وتلوح الأزمة في الأفق. يجب أن يكون التنسيق الأكبر بين السياسة المالية والنقدية على رأس الأولويات، ويجب على الجهات التنظيمية في دول مجلس التعاون الخليجي أن تبدأ في تطوير وتنفيذ أدوات الاحتراز الكلي، بما في ذلك احتياطيات رأسمالية أعلى ورقابة أكثر صرامة على صناديق العقارات وأسواق الرهن العقاري والقطاع المالي غير المصرفي.

“Whoever controls digital currency will direct the future of money”, Op-ed in Arabian Gulf Business Insight (AGBI), 18 Sep 2025

The opinion piece titled “Whoever controls digital currency will direct the future of money” was published in Arabian Gulf Business Insight (AGBI) on 18th September 2025.

Whoever controls digital currency will direct the future of money

CBDCs are tools of sovereignty in a world shifting eastward, edging away from dollar dominance

We are living in a rapidly transforming financial landscape.

In July the US passed the Genesis Act, the first formal federal framework for stablecoins. It mandates full reserve backing in US dollars or short-term treasuries – a bid to make America the “crypto capital of the world”, funding deficits while reviving the dollar’s long-cherished “exorbitant privilege”.

The prize is tempting. Global cryptocurrency value has rocketed from just $5 billion in 2015 to more than $3 trillion by mid-2025, fuelled by technology, institutional adoption, exchange-traded funds and speculative fever.

Yet crypto’s story is one of boom and bust. Volatile prices, thin reserves and fragile pegs have repeatedly triggered bank-run dynamics. Stablecoins, e-money and cryptocurrencies are "currencies" in name only: they lack the unit of account, the store of value and the state guarantee that underpin true money.

That's why the next chapter won't be written by private tokens but by central banks.

The digital economy already accounts for $16 trillion – 14 percent of global GDP – and it is being supercharged by artificial intelligence. Such a system demands infrastructure with security, trust and scale.

Enter central bank digital currencies (CBDCs).

CBDCs come in two forms. Retail CBDCs extend digital cash to the public. Wholesale CBDCs streamline interbank payments and settlements. Both can cut costs, enhance security and integrate seamlessly with tokenised assets.

More strategically, they are becoming tools of sovereignty in a world shifting eastward, fragmenting and edging away from dollar dominance.

For many states, CBDCs are no longer optional – they are defensive shields against US financial power and offensive tools for economic inclusion.

The UAE has grasped this early. Its planned digital dirham could be live by the end of 2025, supporting domestic payments, cross-border trade and e-commerce.

It builds on the UAE's role as a crypto hub – home to Vara, the world's first independent virtual asset regulator and to pioneering tokenisation projects in real estate. Fractional ownership platforms let investors buy into Dubai property for as little as AED2,000 ($550). Tokenised assets are moving from theory to practice.

A digital dirham will make the payment system more efficient, facilitating transactions between individuals, businesses and governments, securely and at a lower cost.

It will widen access. Millions of expatriate workers and small businesses in the Gulf remain excluded from formal finance.

A state-backed digital currency can bring them into the fold securely, lowering remittance costs and expanding economic participation. Smart contracts will add automation, creating new efficiencies in trade and finance.

Globally, the race is on. As of July, 137 countries are exploring CBDCs; 72 are in advanced development and three have already launched.

China leads with its e-CNY, piloted in 29 cities with transactions topping $986 billion. The UAE, meanwhile, has conducted joint CBDC trials with Saudi Arabia and China through the Bank for International Settlements-backed mBridge project, and with Riyadh through Project Aber.

These efforts hint at an alternative financial architecture – one not reliant on the dollar.

Today, the greenback still accounts for nearly half of all international payments and dominates trade finance with an 82 percent share. But 98 percent of stablecoins are also pegged to the dollar, reinforcing its grip.

The stakes are geopolitical as much as financial. Imagine a trade transaction flowing between China and the UAE, settled instantly in e-CNY and digital dirham without touching dollars or the Swift payments system. That is no longer hypothetical – it's already been tested.

Such flows foreshadow a future in which cross-border transactions are faster, cheaper and less dollar-dependent.

The UAE is well placed. It is the third-largest crypto adopter in Mena and among the top 40 globally, handling more than $30 billion in transactions in the year to June 2024, according to Chainalysis.

Decentralised finance usage in the country has grown 74 percent year on year, and the Dubai Land Department predicts tokenised real estate could reach $16 billion by 2033.

But the opportunity is also a challenge. Unless the UAE and other forward-leaning economies scale CBDCs quickly, they risk ceding ground to dollar-denominated stablecoins.

Washington has made its intentions clear. Beijing has already built its alternative framework. The global financial system is being redesigned – and whoever controls it will shape trade, power and trust in the digital age.

Dr Nasser Saidi is the president of Nasser Saidi and Associates. He was formerly chief economist and head of external relations at the DIFC Authority, Lebanon's economy minister and a vice governor of the Central Bank of Lebanon

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"The Age of Electricity Beckons": Presentation at ABB Channel Partners event, 29 January 2025

Dr. Nasser Saidi's joined as a keynote speaker at the ABB Channel Partners Event on 29th of January 2025, with a presentation titled "The Age of Electricity Beckons".

The presentation touched upon the ongoing global economic-geopolitical fragmentation, how costly it would be given it accelerates deglobalisation while also touching on the Trump Presidency and potential impact on the MENA region. Regional implications was analysed with a view that the GCC can benefit from global fragmentation via increasingly diversified,integrated & globally connected economies, emerging as “Middle Powers”. The presentation focused on the challenges of climate change and energy transition in the MENA region, underscoring the fact that tech deployment is critical for energy transition.

A press release of the event quotes Dr. Saidi:

“Climate change is the name of the game,” said Dr Saidi, President of Nasser Saidi & Associates and guest speaker of the event. “Private and public fundings need to be mobilized to accelerate investment in and development of renewable energy and climate technology across the region, one of the most climate stressed globally.

”

“UAE-China Partnership for a Transforming Global Economic Geography”: Presentation at the China-UAE Investment Summit (Abu Dhabi Finance Week), 10 Dec 2024

Dr. Nasser Saidi’s joined as a keynote speaker presenting on “UAE-China Partnership for a Transforming Global Economic Geography“ at the China-UAE Investment Summit session held during the Abu Dhabi Finance Week on 10th of December 2024.

Starting with an overview of the 40 years of diplomatic & economic relations between UAE and China, Dr. Nasser Saidi highlighted that China was an important partner in UAE's initial diversification phase (infrastructure, trade, tourism). With the UAE and wider GCC benefiting from reconfiguration of global supply chains, trade & investment diversion from China "decoupling", China can become a Comprehensive Strategic Partner for UAE's next phase of diversification.

What are the building blocks of such a Comprehensive Strategic Partnership? Regional / multilateral cooperation measures aside, bilateral efforts could range from a free trade agreement to banking/ financial integration and investing in future technologies among others.

Some snippets of the summit are highlighted below:

> *The China-UAE Investment Summit 2024 at ADFW wrapped up with valuable insights into the strengthening economic ties between China and the UAE.*
>
> *Leaders from both nations explored key opportunities in trade, innovation, and investment, setting the stage for a new era of… pic.twitter.com/QTtmZ9o3D2*
>
> *— ADFW (@ADFinanceWeek) December 10, 2024*

"Regionalised Globalisation &

Building Markets to Overcome Disruptions": Presentation at the DIFC's "The Pursuit of Alpha" event, 21 Feb 2024

Dr. Nasser Saidi's joined as a keynote speaker presenting on "Regionalised Globalisation & Building Markets to Overcome Disruptions" at the DIFC's "The Pursuit of Alpha" event held on 21st of February 2024.

Dr. Nasser Saidi's insights at "The Pursuit of Alpha" event revealed a tectonic shift towards Asia, underlining the significance of strategic partnerships in expanding energy, trade, and investment ties.

Global opportunities abound as 'Gulf Falcons' (UAE and KSA) navigate the landscape of global fragmentation and 'China decoupling,' with initiatives like the GCC-China FTA and the India-Middle East-Europe Economic Corridor paving the way for a transformative geo-economic/geopolitical shift.

Commending the GCC Falcons, Dr. Saidi highlighted their transition to Economic Diversification 2.0, promising reduced volatility, sustainable growth, and enhanced regional integration. Furthermore, the role of Gulf Falcons in driving regional structural transformation was emphasized, encompassing fiannce, energy transition, climate change mitigation, privatisation, digitalisation, and effective wealth management.

In summary, Dr. Saidi's perspective underscores the need for strategic partnerships, economic diversification, peace building, and forward thinking policies to foster sustainable growth, stability, and prosperity amidst evolving global dynamics in the Gulf region.

Some snippets of the session are highlighted below:

> *Deep dive into the new world's dynamics, gaining insights into the understanding of global macroeconomic shifts and trends. #Wealth #AssetManagement #DIFC pic.twitter.com/ITulHQ9OnQ*
>
> *— DIFC (@DIFC) February 21, 2024*

"The Middle East in a fragmented multi-polar world": Presentation at the 19th Korea Middle East Cooperation Forum, 6 Nov 2023

Dr. Nasser Saidi joined a panel discussion titled "Future Prospects for Korea and the Middle East", after presenting on the topic "The Middle East in a fragmented multi-polar world" at the 19th Korea Middle East Cooperation Forum held in Doha on 6 November 2023.

Dr. Saidi's presentation can be viewed in the below video from 1:09:50 to 1:29:50, and the panel discussion continues till 2:25:00

“State and Future of the GCC Economies: A Story of Transformation”, Presentation to the International Jurists, 20 Oct 2023

Dr. Nasser Saidi was invited as a keynote speaker at a meeting of the International Jurists held in Dubai on 20th October 2023.

Dr. Saidi’s presentation, titled “State and Future of the GCC Economies: A Story of Transformation“, focused on regional macroeconomic and geo-political developments, with a special focus on the Gulf Falcons. The talk also highlighted the GCC’s economic transformation and concluded with how the Gulf Falcons would drive regional structural transformation.

"Turning War Economies into Peace Economies: Lessons from Lebanon & Beyond",

Presentation at IFIT webinar, 24 Sep 2020

Dr. Nasser Saidi presented on the topic "Turning War Economies into Peace Economies: Lessons from Lebanon and Beyond" *(click title to download)*, at a webinar hosted by the Institute for Integrated Transitions (IFIT) on 24th Sep 2020.

In conflict-affected states, achieving sustainable and inclusive growth depends in no small part on transforming the incentives and structures that underpin a wartime economy. The talk analysed key structural lessons from Lebanon and other countries in the wider region.

During the talk, Dr. Saidi touched upon Lebanon's short history (1920-2020) in addition to laying out the economic consequences of conflicts and post-conflict reconstruction. Impact of population displacement and refugees as well as state capture by militias and allies formed valid discussion points. The talk was wrapped up by focusing on Lebanon, with respect to the structural reforms needed for economic-financial-fiscal-monetary-banking-financial stabilisation and reform.

"Managing in an Increasingly Turbulent Geopolitical Climate", Opening Keynote at the Corporate Counsel Middle

East Forum, 18 Apr 2019

Dr. Nasser Saidi gave the opening keynote presentation titled "Managing in an Increasingly Turbulent Geopolitical Climate" at the Corporate Counsel Middle East Forum held in Dubai on 18th Apr 2019.

The presentation focused on the current global and regional geopolitical climate as well as the ongoing economic wars. In the regional backdrop, the presentation highlighted how the GCC have been undergoing a transition and transformation, also highlighting the ongoing structural reforms across multiple areas. Of interest for the corporate counsel was the recent changes in laws related to attracting FDI, opening up new sectors for foreign companies, changes to the legal, regulatory and financial infrastructure. It ended with a glimpse into expected changes in the near to medium term: including taxation reform, corporate restructuring & insolvency as well as how digital laws and regulations were needed to support FinTech, e-commerce etc.

The presentation can be downloaded here.

China-US Tensions, War with Iran Dominate Medium-Term GCC Risk Landscape: Interview with Bonds & Loans, Apr 2019

Dr. Nasser Saidi's interview with Bonds & Loans, published in Apr 2019, titled "*China-US Tensions, War with Iran Dominate Medium-Term GCC Risk Landscape*" is posted below. The original can be accessed here.

Despite a positive macro outlook, a blend of rapidly rising regional tensions and an evolving trade dispute between China and the US will weigh more heavily than previously thought on the GCC's economic prospects in the medium term, argues Dr. Nasser Saidi, Founder and President of Nasser Saidi & Associates and Lebanon's former Minister of Economy.

Bonds & Loans speaks with Dr. Saidi about the regional economic outlook, progress on fiscal reforms in the region, structural shifts in the Middle East's political dynamic, and how to avoid the pitfalls of state-led development as currently practiced.

Bonds & Loans: What do you see as the top risks facing GCC markets in 2019?

Nasser Saidi: The first major risk is the oil price. The second relates to spill-overs of international political and economic tensions. The third is climate change.

Oil prices and revenues continue to dominate the macroeconomic risk paradigm in the region, dominating trade, current accounts, and gross output. Despite reform efforts over the past few years, we have yet to see substantial progress on making the GCC less vulnerable to oil price volatility, or on diversification more broadly. Oil prices over the next two years, which we anticipate will hover between the USD55 and USD60 per barrel bracket, subject to added geopolitical risk, remain substantially below breakeven points, which will continue to weigh on the region's current account deficits. This means that many of the GCC countries will have to continue with fiscal adjustments to address their sustainability, while drawing from new and existing funding sources to make up the difference.

Spill-overs from global economic tensions – and here specifically, the economic standoff between the US and China – is also a significant risk. This isn't just about trade, it seems, but rather increasing confrontation at multiple levels: trade; China's role on the global stage; technology;

intellectual property; market access. More fundamentally, it's about economic regime change in China, the world's second largest economy. As China forges ahead with its larger strategic objectives, it is becoming a globalist on a scale yet to be seen.

The main reason why economic warfare between the US and China is important for the GCC is that it could weigh on GCC integration with Asian supply chains. Asia currently accounts for a substantial portion of commodities demand, and China is now the largest importer of GCC oil and gas, so any reduction of the growth rate in China – coupled with the fact that the US is looking to increase production and shipments of shale oil – will have a negative effect on global oil demand.

Finally, climate change is a huge risk. Extreme weather events are increasing, especially in this part of the world, and insurers – as well as investors and the banks – have significantly under-priced climate risk. We could end up having a Minsky moment as a result: once the industry reckons with the scale of its exposure to the fossil fuels industry, we could see an acute and substantial drop in the value of assets exposed to climate risk. This is a social as well as financial risk, but it is largely only viewed as a social risk at present. That is starting to change, particularly in Europe, but it needs to shift much more quickly.

Other global macro risk factors relate to the massive build-up of household and corporate debt on the horizon blended with a tightening liquidity environment, and the uncertain interest rate trajectory in the US. In emerging markets, this is compounded by the fact that a sizeable portion of that debt is denominated in foreign hard currencies, and rising maturities over the next three years.

Bonds & Loans: A significant portion of your presentation at last year's Bonds, Loans & Sukuk Middle East conference focused on political shifts emerging across the wider Middle East. How have some of those shifts played out? Do you see geopolitical risk rising or falling?

Nasser Saidi: You still have wars ongoing in Syria and Yemen.

In Syria, to an extent, we are seeing a lower level of violence, but self-congratulatory statements about defeating ISIS are blatantly misplaced; rebel and national armed forces may have temporarily vanquished the group militarily, but all of the conditions that led to the formation and growth of ISIS – high levels of unemployment, poverty, disengagement with the state, lack of viable economic prospects – continue to persist. These conditions will not change unless global powers start seriously re-considering how they approach post-violence reconstruction in places like Iraq, Syria, Yemen, and Libya among other places.

A failure to address these conditions could likely lead to another boiling over of discontent, particularly among the region's youth. Best estimates for growth in most countries in the Middle East don't exceed 2.2%, which barely covers population growth in many of them – so what this means is a decline in real income per capita.

Added to this are rising geopolitical tensions linked to the spat between China and the US, particularly around the Belt and Road Initiative, which the GCC countries – particularly the UAE and Oman – are investing heavily into. This is to further integrate the Middle East into China's global logistics and trade infrastructure. But it's unclear whether that will come at the cost of relations with the US. That the GCC no longer talks as one coherent bloc of countries compounds this risk, and diminishes the region's capacity to negotiate at the global level.

Finally, I am increasingly concerned that we may see armed confrontation with Iran. If you listen to the rhetoric of the top brass in the US, and their diplomatic activities within the Middle East, they seem to be setting the stage for war with Iran – not dissimilar to the build-up seen before the first gulf war with Iraq. Any armed confrontation would of course have dire implications for global oil prices, and the region more specifically.

Bonds & Loans: As the largest economy in the region, many look to Saudi Arabia for a sense of the trajectory many of the

region's economies are on, particularly in terms of reform. How would you assess GCC states' progress on diversifying their economies away from oil?

Nasser Saidi: This is one of the biggest challenges facing the region. It has become quite obvious since the collapse in oil prices that this is not cyclical, but structural, which means the region's governments need to target diversification in three major ways: trade diversification, in the sense that these countries need to ween themselves off their overreliance on oil exports; production diversification, so moving away from oil to non-oil activities and services; and government revenue diversification.

Saudi Arabia is the biggest economy in the Arab world, followed by the UAE. What happens in Saudi Arabia is important because of its size, and the economic benefits that its neighbours enjoy through trade. But it's also to some extent a litmus test on the success of reforms in the region. What has been proposed in Saudi Arabia, in terms of modernisation efforts included in the National Transformation Plan and Vision 2030, is really the mother of all reform efforts in the region, and all the countries in the GCC need the country to succeed in this endeavour. Failure will invite a backlash from more conservative segments of leadership, and potentially, large pools of the population, but it will also weigh on the development of neighbouring economies as they depend heavily on the opening of the Saudi economy to boost their prospects.

Bonds & Loans: There continues to be significant optimism around Egypt's economic prospects, but some of its fundamentals – like youth unemployment, and productivity – are worrying. Do you think the country can achieve its ambitions without a fairly radical shift away from how the economy is managed?

Nasser Saidi: It's an important point, but we should also pay heed to what has been achieved so far. The IMF, and its regional peers like the UAE, Saudi Arabia, and Kuwait, have lent substantial support to the country – in large part because the country is too big to fail. We've seen a rise in interest rates and greater monetary policy freedom, with inflation trending down towards 8.5% from peaks in excess of close to 30% in 2017. We’ve seen a partial reform of fuel subsidies, price adjustments in the power sector, and a decline in recorded unemployment over the past couple of years, with some facilitation by Egypt’s neighbours of youth participation in their labour markets.

The country needs to reconsider its state-led development strategy, which means PPPs and privatisation need to move further up the policy agenda. But it comes with a warning. Under Mubarak, the beneficiaries of privatisation largely included the coteries around the leader – including his family. There was no trickle-down, in other words, and that issue still remains; addressing this would also help address unemployment. What this also means is that the country needs to achieve a transformation away from strong dependence on agriculture and the Nile, which remains its lifeline. This can be achieved through the dispersion and increased use of technologies and modern techniques in the agricultural sector to raise productivity and reduce dependence on dwindling water supplies, as we are seeing increasing desertification. More broadly, the industrialisation strategy undertaken by Egypt – which has been largely military or state-led – cannot be the future; this applies as well to the GCC governments, which also need to foster a more vibrant and prominent private sector.

Economic reforms – like the removal of subsidies, increasing cost recovery through public services – require a new social contract. We have the beginnings of one, but it’s not there yet.

More crucial is the issue of overall governance. What you effectively have is a government within a government. President Sisi has consolidated power and is looking for a renewal of his mandate, not unlike Ergodan in Turkey, and there is a high level of concentration of power; parliament in Egypt has largely become a Potemkin parliament. The question of inclusiveness – politically, economically, socially – looms large.

Bonds & Loans: The UAE economy has undergone a significant transformation over the past decade. Can the country continue to thrive if it does not adjust to shifting demographics on the ground via the changing nature of labour migration?

Nasser Saidi: The situation in the UAE is different to that of Saudi Arabia and its neighbours in the sense that it is much more diversified. Dubai contributes about 40% of the UAE's GDP, if you include the Emirate's free zones – where a range of multinational private corporates operates. It has been able to secure significant foreign investment, much more FDI than others in the region. This is due to the quality of core infrastructure and logistics hubs, rule of law, and free zones.

For a long period, the country attracted a great deal of low-skilled, low-cost labour to build that infrastructure. Much of that infrastructure has now been achieved, which means moving onto the next phase: modernisation and digitalisation of the economy. But it will take a long time before modern sectors emerge as strong contributors to GDP, as well as human capital; that labour needs a viable pathway to remaining in the UAE for the long-term.

There have been a number of reforms addressing this. There is a 10-year residency visa for export specialists; 100% foreign ownership is now allowed in non-strategic sectors of the economy; there is the prospect of allowing companies operating in free zones to secure dual licenses that allow them to operate both onshore and in free zones. This is the beginning of a much longer-term liberalisation effort that will foster long-term residents.

But over the long-term, the country may do well to move towards the Swiss model. If you look back at Switzerland's history, and the development of its infrastructure, it was largely developed at a time when the country was overwhelmingly agrarian by nature. It has turned itself into a strong services hub for Europe and the rest of the World by strategically investing in key sectors, but it also reformed the way in which expat workers could obtain long-term residency and, eventually, citizenship, turning a transient working population into a strong contributor to GDP composed of long-term residents.

Creating permanent economic citizens has many benefits. It is helpful in terms of balance of payments; in building a social security system and long-term investment pools, which goes hand in hand with deepening the capital markets and the insurance and pension segments. It also means the development of a true middle class, which means moving away from a model based on tourism to one that fosters more organic, domestic support of key sectors; but it also means diverging from the country's existing overreliance on real estate and hospitality, which is unsustainable in its current form.

"Is a New GCC Emerging? A Geo-Eco-Political Outlook", Closing Keynote at the Bonds, Loans & Sukuk Middle East conference, 26 Mar 2019

Dr. Nasser Saidi was invited to present the closing keynote at the Bonds, Loans & Sukuk Middle East conference held in Dubai on 26th March, 2019.

Titled "Is a New GCC Emerging? A Geo-Eco-Political Outlook", the presentation covered the regional geo-economic & political outlook, while also shedding light on the key risks (including the oil market). It looks in-depth at the performance of the GCC, its diversification policies, also outlining the steps

needed to support private sector businesses and activity.
The presentation ends with a “bucket list” for economic policy and reform for the GCC, while providing a best, base, and worst case scenario for the region.

"Navigating in Turbulence", Presentation to the AlShall Investment Holding Group, 19 Nov 2018

Dr. Nasser Saidi gave a closing keynote presentation titled “Global & GCC Outlook: Navigating in Turbulence” at the AlShall Investment Holding Group strategy session held in Kuwait City on the 19th of November 2018.
The presentation covered the global macroeconomic outlook and risks, and looked in depth at the reform and transition in the GCC given the backdrop of the New Oil Normal. The session also discussed investment opportunities in the region including renewable and clean energy as well as FinTech.
Click here to download the presentation.